



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CENTER TOWNSHIP
COLUMBIANA COUNTY**

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

Center Township
Columbiana County
300 South Jefferson Street
Lisbon, Ohio 44432

To the Board of Trustees:

We have audited the accompanying financial statements of Center Township, Columbiana County, Ohio, (the Township) as of and for the year ended December 31, 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2000, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The accompanying financial statements have been prepared assuming that the Township will continue as a going concern. As discussed in Note 6 to the financial statements, the Township is liable for an estimated \$1,450,000 for landfill closure and postclosure care. This liability raises substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are also described in Note 6. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2001 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Center Township
Columbiana County
Report of Independent Accountants
Page -2-

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

June 15, 2001

**CENTER TOWNSHIP
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

| | Governmental Fund Types | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|---|
| | General | Special Revenue | |
| Cash Receipts: | | | |
| Local Taxes | \$23,919 | \$222,818 | \$246,737 |
| Intergovernmental | 57,215 | 87,003 | 144,218 |
| Special Assessments | | 630 | 630 |
| Fines, Forfeitures, and Penalties | 83 | | 83 |
| Earnings on Investments | 8,271 | 5,069 | 13,340 |
| Other Revenue | 4,343 | 4,592 | 8,935 |
| | <u>93,831</u> | <u>320,112</u> | <u>413,943</u> |
| Total Cash Receipts | | | |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | 44,779 | 25,090 | 69,869 |
| Public Safety | 34,508 | 3,711 | 38,219 |
| Public Works | 26,131 | 276,397 | 302,528 |
| Capital Outlay | 13,022 | 30,271 | 43,293 |
| | <u>118,440</u> | <u>335,469</u> | <u>453,909</u> |
| Total Cash Disbursements | | | |
| | <u>(24,608)</u> | <u>(15,357)</u> | <u>(39,966)</u> |
| Total Receipts Over/(Under) Disbursements | | | |
| Other Financing Receipts/(Disbursements): | | | |
| Other Sources | 6,525 | | 6,525 |
| | <u>6,525</u> | | <u>6,525</u> |
| Total Other Financing Receipts/(Disbursements) | | | |
| | <u>(18,083)</u> | <u>(15,357)</u> | <u>(33,441)</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | | | |
| | <u>60,263</u> | <u>200,481</u> | <u>260,744</u> |
| Fund Cash Balances, January 1 | | | |
| | <u>60,263</u> | <u>200,481</u> | <u>260,744</u> |
| Fund Cash Balances, December 31 | <u>\$42,180</u> | <u>\$185,124</u> | <u>\$227,303</u> |

The notes to the financial statements are an integral part of this statement.

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**CENTER TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Center Township, Columbiana County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance. The Township contracts with the Hanover Township to provide fire services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Township has an interest bearing checking account. Interest earned is recognized and recorded when received. Investment procedures are restricted by the provisions of the Ohio Revised Code.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Road Fund - This fund receives property tax money for maintaining and repairing Township roads.

**CENTER TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

| | |
|-----------------|-------------------------|
| | <u>2000</u> |
| Demand deposits | <u>\$227,303</u> |

**CENTER TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2000 follows:

| 2000 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$92,409 | \$100,356 | \$7,947 |
| Special Revenue | 261,445 | 320,112 | 58,667 |
| Total | \$353,854 | \$420,468 | \$66,614 |

| 2000 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$0 | \$118,440 | (\$118,440) |
| Special Revenue | 0 | 335,469 | (335,469) |
| Total | \$0 | \$453,909 | (\$453,909) |

Ohio Revised Code Section 5705.34 states in part that each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each authority is to certify the levies to the county auditor before October 1st, unless a later date is approved by the tax commissioner.

The Township failed to pass an ordinance or resolution to authorize the necessary tax levies and certify them to the county auditor.

Ohio Rev. Code Section 5705.38 states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

Though appropriations were posted to the accounting records by the Township Clerk, the Center Township Board of Trustees did not pass an appropriation measure for Fiscal Year 2000. The Board of Trustees is the taxing authority of the Township.

Ohio Revised Code Section 5705.41(B) states in part that no subdivision or taxing unit is to expend money unless it has been appropriated.

**CENTER TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

As noted in Finding # 2000-41215-002, Center Township failed to pass an appropriation resolution therefore all expenditures made by the Township were expended without being appropriated.

Ohio Revised Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Township may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of the Trustees.

The Township failed to establish appropriations therefore certification could not be properly executed. However, 77% of the transactions tested did contain the certificate.

The Township Clerk was attempting to comply with the certification requirements based on appropriations posted to the accounting records, however, as noted in Finding # 2000-41215-002, the Township Board of Trustees had not approved those appropriations.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**CENTER TOWNSHIP
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

5. RETIREMENT SYSTEMS

Employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS are cost-sharing, multiple-employer plans. This plan provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS member contributed 8.5% of their gross salaries. The Township contributed an amount equal to 10.84% of participants gross salaries. The Township has paid all contributions required through December 31, 2000.

6. LANDFILL

Center Township purchased land in December 1980 which included a landfill. This landfill was closed on December 31, 1988. This action was taken upon advice of the Columbiana County Health Department and because of new and more restrictive landfill regulations taking effect on January 1, 1989.

State and Federal laws and regulations require that the Township perform certain maintenance and monitoring functions at the closed landfill site for thirty years after closure. The Township's estimated liability for the landfill is \$500,000 for closure costs and \$950,000 for postclosure costs, for a total estimated liability of \$1,450,000. The estimated cost of landfill closure and postclosure care expenses is based on the amount that would be paid if all materials and services required to monitor and maintain the closed landfill were acquired as of December 31, 2000. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The Ohio Environmental Protection Agency (OEPA) issued Director's Final Findings and Orders which require the Township to comply with 21 proposed orders for the proper closure of the landfill in compliance with the applicable Ohio Administrative Code (OAC). The Township received a settlement proposal requiring payment of \$473,150 to comply with orders 1-15 paid by December 31, 2001. As of the date of this report, the Township is unable to pay this liability. As of the date of this report the orders are on hold pending negotiations with the OEPA. Also the Township is working with the OEPA to establish a trust fund, in the name of the Township and the OEPA. The OEPA will contribute funds collected through various fines collected from violations within the state. Any monies collected will be used to help offset the costs of the closure and postclosure costs associated with the landfill. There is no estimate of the collections the Trust Fund will receive. The Township is also in negotiations with the Village of Lisbon for part of the closure and postclosure costs. As of the date of this report, Lisbon has not offered to share this liability.

It is uncertain how this liability will affect future financial Township activities.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The Township also provides health insurance to full-time employees through a private carrier.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Center Township
Columbiana County
300 South Jefferson Street
Lisbon, Ohio 44432

To the Board of Trustees:

We have audited the accompanying financial statements of Center Township, Columbiana County, Ohio (the Township), as of and for the year ended December 31, 2000, and have issued our report thereon dated June 15, 2001, wherein we noted there is substantial doubt the Township will continue as a going concern, due to an estimated liability of \$1,450,000 imposed by the Ohio Environmental Protection Agency. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Center Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-41215-001 through 2000-41215-004. We also noted certain immaterial instances of noncompliance that we have reported to management of Center Township in a separate letter dated June 15, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Center Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Center Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-41215-005.

Center Township
Columbiana County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2000-11215-005 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Center Township's in a separate letter dated , June 15, 2001.

This report is intended for the information and use of the management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

June 15, 2001

**CENTER TOWNSHIP
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

Finding # 2000-41215-001

Ohio Revised Code Section 5705.34, states in part that each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each authority is to certify the levies to the county auditor before October 1st, unless a later date is approved by the tax commissioner.

The Township failed to pass an ordinance or resolution to authorize the necessary tax levies and certify them to the county auditor.

We recommend the township officials implement policies and procedure to certify the tax levies in accordance with Ohio Revised Code Section 5705.34.

Finding # 2000-41215-002

Ohio Revised Code Section 5705.38, states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

Though appropriations were posted to the accounting records by the Township Clerk, the Center Township Board of Trustees did not pass an appropriation measure for Fiscal Year 2000. The Board of Trustees is the taxing authority of the Township.

We recommend the township officials implement policies and procedures to pass appropriation measures as prescribed by Ohio Revised Code Section 5705.38.

Finding # 2000-41215-003

Ohio Revised Code Section 5705.41(B), states in part that no subdivision or taxing unit is to expend money unless it has been appropriated.

As noted in Finding # 200-41215-002, Center Township failed to pass an appropriation resolution therefore all expenditures made by the Township were expended without being appropriated.

We recommend the Township officials implement policies and procedures to provide assurance that expenditures are properly appropriated as prescribed by Section 5705.41 (B).

Finding # 2000-41215-004

Ohio Revised Code Section 5705.41(D), states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Township may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

B. If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of the Trustees.

The Township failed to establish appropriations therefore certification could not be properly executed. However, 77% of the transactions tested did contain the certificate.

The Township Clerk was attempting to comply with the certification requirements based on appropriations posted to the accounting records, however, as noted in Finding # 2000-41215-002, the Township Board of Trustees had not approved those appropriations.

We recommend that the Township implement policies and procedures to properly establish appropriations. Once appropriations are so established, the Township should make no obligations of monies without certification as required by Ohio Revised Code Section 5705.41(D). The Township should establish procedures to help ensure certification is made for all applicable transactions.

Finding # 2000-41215-005

During the review of the Board of Trustees minutes it was noted that the minutes did not contain documentation of approvals for various budgetary requirements or contractual obligations. This review also revealed that monthly financial reports were not being presented to the Board of Trustees for their review and use.

This could result in the Trustees making decisions that could effect the Townships financial condition without appropriate information to assist the Trustees make informed financial decisions. Further, certain Ohio Rev. Code provisions require Trustee approval of various budgetary actions, and other formal actions. Failure to properly document these actions could result in material violations of budgetary and other laws.

We recommend that the Township Trustees review the monthly financial statements and record the approvals of all budgetary documents, contractual obligations, and the review monthly financial statements.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CENTER TOWNSHIP

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 28, 2001**